

STATE AND CONSUMER SERVICES

The State and Consumer Services Agency's (SCSA) mission is to help educate consumers and make government more efficient, effective, and accountable for all California taxpayers. SCSA entities are responsible for civil rights enforcement, consumer protection, and the licensing of 2.4 million Californians in more than 255 different professions. SCSA entities provide oversight and guidance for the procurement of more than \$9 billion worth of goods and services; management and development of state real estate; operation and oversight of two state employee pension funds; collection of state taxes; hiring of state employees; provision of information technology services; adoption of state building standards; and administration of two state museums. In addition, the Secretary for the State and Consumer Services Agency is the Chair of the California Building Standards Commission and the Victim Compensation and Government Claims Board, and operates the California Office of Information Security and Privacy Protection.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget proposes \$26.7 billion (\$613.2 million General Fund) and

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, and federal and court-ordered mandates.

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16,719.8 positions for the various entities within the SCSA. This represents an increase of \$1.8 billion (\$11.3 million General Fund) from the revised 2007-08 and an increase of 500.8 positions. This reflects an increase of 7.1 percent over the revised 2007-08 Budget. Change Table SCS-01 illustrates the major changes proposed to the SCSA in the Governor's Budget.

Change Table SCS-01

State and Consumer Services Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$576,862	\$24,618,405	16,019.6	\$574,537	\$24,350,013	16,019.6
Workload Adjustments						
Health Program Receivables	—	—	—	—	352	2.8
Increase in Claim Payments	—	28,016	—	—	28,016	—
Enrollment/Caseload/Population	—	-303,140	—	—	877,421	—
Employee Compensation/Retirement	10,096	23,049	—	11,738	25,162	—
Expiring Programs or Positions	—	—	—	-390	-9,668	-118.9
One-Time Cost Reductions	—	-9,060	—	-8,195	-66,241	—
Full-Year Cost of New Programs	—	—	—	3,888	17,077	24.0
Other Workload Adjustments	10,838	50,589	197.5	13,169	735,255	463.4
Infrastructure Adjustment	—	-55,836	—	2,203	114,009	—
Totals, Workload Adjustments	\$20,934	-\$266,382	197.5	\$22,413	\$1,721,383	371.3
Policy Adjustments						
Compliance Enhancement Measures	—	—	—	9,860	—	131.5
Contractors State License Board - Economic and Employment Enforcement Coalition Continuation	—	—	—	—	919	10.4
Private Postsecondary Education Reform	—	—	—	—	8,195	57.9
Tax Gap Enforcement	—	—	—	6,438	—	65.1
Unlicensed Activity Pilot Program	—	—	—	—	1,210	—
Other Policy Adjustments	—	234	1.9	—	38,630	98.2
Totals, Policy Adjustments	\$0	\$234	1.9	\$16,298	\$48,954	363.1
Total Adjustments	\$20,934	-\$266,148	199.4	\$38,711	\$1,770,337	734.4
Budget Prior to Reductions	\$597,796	\$24,352,257	16,219.0	\$613,248	\$26,120,350	16,754.0
Budget-Balancing Reductions^{1/}	-\$1,179	\$0	—	-\$5,345	-\$100	-34.2
Governor's Budget	\$596,617	\$24,352,257	16,219.0	\$607,903	\$26,120,250	16,719.8

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- California Child Support Automation System—The Governor's Budget includes \$7.9 million General Fund for Franchise Tax Board's (FTB) California Child Support Automation System implementation costs.
- Encoder Replacement—The Governor's Budget proposes \$1.6 million General Fund to replace FTB encoders that identify checks and money orders submitted for tax payments, and to replace the Withhold at Source System, which processes non-wage withholding payments from sources such as real estate transactions, and out-of-state entertainers and athletes.
- Space Planning—The Governor's Budget includes \$2.5 million Service Revolving Fund and 28.4 positions to support anticipated increases and workload growth at the Department of General Services (DGS) in space planning for both state-owned buildings and leased space. These resources will be critical to assisting state agencies that are addressing budget reductions through consolidation of existing space or securing new space at lower cost to the state.

PROPOSED BUDGET-BALANCING REDUCTIONS

- Total budget-balancing reductions for the SCSA amount to \$1.2 million in 2007-08 and \$5.3 million and 34.2 positions in 2008-09. These reductions assume necessary statutory changes will be enacted by March 1, 2008.
- Programs exempted from reductions include lease payments securing lease revenue bonds for the California Science Center (CSC) and tax collection activities of the FTB.
 - The FTB \$52 million General Fund reduction would have resulted in the loss of approximately \$450 million in General Fund revenues in 2008-09.
- The major reductions are described below:
 - \$306,000 in 2008-09 for the Secretary for State and Consumer Services. This will reduce legislative reporting, customer service, and privacy protection consumer outreach.
 - \$1.5 million and 11.3 positions in 2008-09 for the CSC. This will reduce maintenance and development of facilities and exhibits.

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- \$249,000 in 2008-09 for the California African American Museum. This will reduce maintenance and development of the museum and exhibits.
- \$1.8 million and 17.2 positions in 2008-09 for the Department of Fair Employment and Housing. This will delay processing of employment and housing complaints, and accusation issuances.
- \$117,000 and 0.8 positions in 2008-09 for the Fair Employment and Housing Commission. This will reduce the number of hearings held by the Commission throughout the state.
- \$1.2 million in 2007-08 and \$794,000 in 2008-09 for the DGS. This will limit funding for infrastructure projects at the State Capitol.
- \$540,000 and 4.9 positions in 2008-09 for the State Personnel Board. This will delay processing and approval of budget materials, contracts, and purchasing documents, as well as exacerbate the current backlog in merit appeals.
- In lieu of a 10-percent reduction, an increase of \$9.9 million is proposed for the FTB to support 131.7 new revenue-generating positions. The positions will generate \$71 million in General Fund revenues in 2008-09, increasing to \$125 million in 2009-10. These revenues will exceed FTB's 10-percent reduction amount, while also helping to close the state's tax gap. The positions will concentrate on registered owners of luxury vehicles who do not file tax returns, following up on non-filers with bad addresses, persons who file federal income tax returns without filing a state return, additional revenue-generating activities in the FTB Collection Program, and requiring persons with personal income tax liabilities over \$20,000 to submit their payments electronically.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions to ensure a balanced budget, the Governor's Budget includes these major program enhancements:

DEPARTMENT OF CONSUMER AFFAIRS

- The Governor's Budget proposes \$1.3 million various special funds for a public education pilot program regarding the risks of conducting business with unlicensed practitioners and service providers.

- The Governor's Budget continues \$919,000 Contractors' License Fund and 10.4 positions to support the Contractors' State Licensing Board's (CSLB) participation in the Economic and Employment Enforcement (Triple E) Coalition.
- The Governor's Budget also provides \$758,000 Contractors' License Fund and 6.6 positions to establish a Statewide Investigative Fraud Team in the Central Valley. This program expansion is needed to better address complaints that originate in the 16 counties that comprise the Central Valley region. These complaints represent approximately 12 percent of the total complaints received by the CSLB.

FRANCHISE TAX BOARD

- The Governor's Budget proposes \$6.4 million for 65.1 new revenue-generating positions. The positions will generate \$22 million in General Fund revenues in 2008-09, increasing to \$39 million in 2009-10. The positions will concentrate on filers who fraudulently claim tax refunds or credits, and will also address workload growth in the Audit Program.